

**DETERMINANTS OF FINANCIAL LEVERAGE OF HOTEL AND
TRAVELLING SECTOR IN SRI LANKA**



By

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ABSTRACT

Hotel and travelling sector plays a vital role in the success of the every economy because of its effect on the Sri Lankan economy directly and indirectly. The purpose of this study is to examine the relationship between independent variables on Financial Leverage in Hotel and travelling industry in Sri Lanka. The study used secondary data collected from every company listed under hotel and travelling sector in CSE during the period from 2015 to 2019. Public listed companies were listed at CSE representing 20 business sector and this research mainly consider of Hotel and travelling sector. Independent variables include Profitability, Tangibility, Growth Opportunities, Size of the Firm and Age of the Firm were collected from web site of Colombo Stock Exchange (CSE) in Sri Lanka. Normality, Multicollinearity, Heteroskedasticity, Outlier's Detection, model of specification, Descriptive statistics and regression are used for analyzing this research. All these tests are used so as to correlate and multiple regression theories contributed by the literature by several authors with the statistical results.

The findings indicated that a statistically, Profitability, Size of the Firm and Age of the Firm variables are the significant firm level determinants of Financial Leverage in Sri Lankan hotel and leisure industries case. In addition to this, the three variables (Profitability, Tangibility and Age of the firm) established negative relationship and the remaining two variables (Size of the Firm and Growth Opportunities) showed positive relationship with Financial Leverage. The results of the study proved that a slightly significant impact determinants on financial leverage. It means Profitability, Tangibility, Age of the firm, Size of the firm and Growth opportunities are significantly affecting the financial leverage of the firm. Also it is identified that financial leverage will not be totally depend on determinants in the sector. This indicates that the nature of the determinants affects to determine its direction and impact on the financial leverage of the hotel and travelling sector. This research will help to make effective decision of the company investors, shareholders, to companies, lenders and perspective policy makers at different levels. They can get knowledge about how explanatory factors to be affect financial leverage on listed companies.

Keywords: *Financial Leverage, Hotel and Travelling sector, Profitability, Tangibility, Growth Opportunity, Size of the Firm and Age of the Firm.*

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